GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1460
ANSWERED ON:03.03.2000
DIVERSION OF FUND BY FIRMS INTO BOURSES
PRABHUNATH SINGH;RAGHUNATH JHA

Will the Minister of FINANCE be pleased to state:

(a) whether attention of the Government has been drawn to the news item captioned `bankers fear fund diversion by firms into bourses` appearing in `The Indian Express` dated February 14,2000;

(b) if so. the facts of the matter reported therein;

(c) the reaction of the Government thereto; and

(d) the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) Yes, Sir.

(b) to (d) RBi has reported that according to the guidelines issued by RBi, banks,can provide reasonable advances to individuals for subscribing to rights issues or new issues of shares, debentures/bonds or for purchase in the secondary market against the security of shares/ debentures and bonds in demat or in physical form subject to usual banking safeguards and prudential limits fixed for individual borrowers, in a recent meeting, the RBI have advised the bankers to make an internal review of their entire portfolio of advances against shares and make an assessment of the portfolio, ensure that adequate margins against such advances are maintained and that the bank is not overextended particularly in regard to guarantees and that margins both in cash and securities are maintained.